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World Production and Trade

United States
Department of
Agriculture

Foreign
Agricultural
Service

Washington, D.C. 20250

Weekly
Roundup

WR 7-85

Feb. 13, 1985

The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following developments in world agriculture and trade:

GRAIN AND FEED

KOREA's Ministry of Agriculture and Fisheries (MAF) announced plans to promote domestic forage production in hopes of replacing as much as 170,000 tons of imported grain. The MAF reports Korean feed compounders are using less corn in their rations, and are concentrating on holding corn's share of the grain/energy source part of feed use at or below its 1984 share of 61 percent (down from 98 percent in 1980).

In 1984, there was a major shift in the feed grain import market from corn to feed wheat, which accounted for about 17 percent of total feed grain imports. For 1985, a continuing shift away from corn is expected, especially if Korean import duties on tapioca are lowered as suggested by the MAF. These developments all point to lower 1985 feed grain imports by Korea, as the country seeks to use less corn in feed formulation and increase production and utilization of domestic feed ingredients.

OILSEEDS AND PRODUCTS

The U.S. agricultural attache in Warsaw has revised his estimates of POLAND's imports of soybeans and soybean meal. The 1984/85 soybean import estimate has been increased to 150,000 tons from 60,000 tons. The import estimate for soybean meal in 1984/85 was lowered to 700,000 tons from 800,000 tons. Fishmeal imports are expected to reach 50,000 tons. Traditionally, the United States has been the main supplier of soybeans and a leading supplier of soybean meal to Poland.

DAIRY, LIVESTOCK AND POULTRY

Exports of U.S. chicken to JAPAN dropped from a record 64,000 tons in 1983 to an estimated 51,000 tons in 1984, a decrease in the U.S. market share from 64 percent in 1983 to about 50 percent in 1984.

Several factors contributed to this decline: lower domestic prices resulting from increased Japanese broiler production have made U.S. chicken less competitive; an increasing trend away from consumption of bone-in chicken, which constitutes the bulk of U.S. chicken exports to Japan; and increased competition from Brazil. These factors are expected to pose continued problems for U.S. exports in 1985.

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However, the U.S. agricultural counselor in Tokyo reports there are some encouraging developments in the Japanese market. Individually quick frozen (IQF) chicken has been a marketing success, and the import duty on bone-in legs will be lowered from 13.8 percent to 11.3 percent as of April 1, 1985.

An epidemic of Foot and Mouth Disease (FMD) has spread throughout ITALY. As of mid-January, 71 outbreaks were diagnosed in various parts of Italy. The first outbreak was discovered in November 1984 in the Po Valley, an important livestock center. An extensive vaccination program is being carried out.

As a result of these FMD outbreaks, other European Community (EC) countries have adopted restrictive measures against live animals and meat products from Italy. FMD-free EC countries--the United Kingdom, Greece, Denmark and Ireland--have closed their borders entirely to Italian cattle and meat products except for completely cooked items. Meanwhile, other countries have limited restrictions to animals and meat from those provinces with reported FMD outbreaks.

The viral type identified is "A-5", a common strain in Italy in past years. The most recent case--reported on January 15--was in Sicily, indicating that the virus has spread throughout the entire country. Ministry of Agriculture officials indicate that 800 head of cattle and 300 head of swine have been destroyed. It appears that the vaccination program is having some effect. There have been no new cases reported in most regions for 30 days.

The EUROPEAN COMMUNITY's Meat Management Committee has announced the sale of 28,695 tons of beef from intervention stocks to third countries (assumed to be in the Mideast and North Africa). Beef for these sales must have been placed into stock prior to April 1983. This is apparently an attempt to begin to reduce the record beef stocks that have accumulated. Intervention beef stocks at the end of December were 665,050 tons. Italy and Ireland accounted for most of the beef to be sold, 22,900 tons and 4,500 tons, respectively.

The fixed prices set by the new EC regulation in EC European Currency Units (ECUs) and the U.S. dollar equivalent are as follows per ton:

| | Price ECU | US\$ equivalent |
|---------------|--------------|--------------------|
| Bone-in beef | 1950-2500 | 1398-1792 |
| Boneless beef | 2600-2800 | 1864-2007 |
| Strip loins | 4700 | 3370 |
| Filets | 8500 | 6094 |

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By comparison, the price in the United States for steer beef, good at Omaha, on December 14 was \$2,183 per ton.

In addition, Ireland was given the authority to export 5,000 tons of beef from private stocks at prices slightly above that approved from intervention stocks.

Due to the EC's continuing encroachment with heavily subsidized meat exports into the markets of traditional meat exporting countries like Australia, Argentina and New Zealand, the burden of the EC beef program is being shifted to other countries. As a result, the United States has been receiving a larger share of imports from these traditional exporters. This latest move by the EC to export its intervention stocks will only further aggravate the situation.

TAIWAN's pork exports, virtually all to JAPAN, jumped to a record 52,000 tons in 1984, up nearly three-fourths from 1983 (30,000 tons). As a result, U.S. pork exports to Japan decreased from almost 38,000 tons in 1983 to a projected 27,000 tons in 1984. The sharp increase in Taiwan's pork exports is due to record levels of swine production in 1984. These abundant pork supplies will likely keep prices depressed through much of 1985.

Japanese pork imports in 1984 were predicted earlier to grow to 182,000 tons, of which Taiwan was the second largest supplier after Denmark. Canada and the United States were third and fourth, with about 28,000 tons imported from each. In 1983, when Danish pork exports were hampered by FMD, Canada and the United States were the major suppliers to the Japanese market, each exporting about 40,000 tons to Japan.

The AUSTRALIAN and NEW ZEALAND Dairy Boards joined together under the recent Closer Economic Relations Agreement (CERA) between the two countries to sell 28,000 tons of butter to Algeria. The sale price reportedly was roughly \$800 per ton f.o.b., well below the General Agreement on Tariffs and Trade minimum of \$1,200. This sale, a 50-50 split between the two countries, is aimed at preventing competitive pricing between the two in third country markets.

Algeria traditionally has been an EC dairy product market, but New Zealand has made sharp inroads in recent years. The 28,000-ton sale represents about half of Algeria's annual butter imports. This first-time cooperative effort by Australia and New Zealand may just be a forerunner to competition with the EC as the Community looks to export substantial quantities of subsidized dairy and meat products onto the world market.

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SWEDEN has announced a program that will pay a premium to producers slaughtering heifer calves this winter. The program is being initiated to reduce the large meat production surplus by having calves slaughtered before they reach heavier market weights or enter the dairy/beef breeding herd. Increased meat output and falling domestic consumption have resulted in a meat surplus that must be exported at considerable cost to the government. Export prices are well below domestic price levels.

In 1984, Sweden exported an estimated 22,000 tons of beef and veal. Even with some drop in beef output for 1985, projections point to 25,000 tons of beef available for export (1 percent of world exports) this year.

Since most of Sweden's cattle are dairy animals, this program will also reduce surplus milk production.

KOREA's Ministry of Agriculture and Fisheries has suspended dairy cattle imports for 1985 due to a decline in dairy cattle prices and an oversupply of milk. U.S. exports of dairy cattle to Korea in 1984 were about 2,700 head, valued at \$4.5 million. Although the situation will be reviewed periodically, it appears that only a few hundred head of cattle already under contract will be imported in 1985.

Egg production in SPAIN, estimated at 11.1 billion eggs, was down nearly 9 percent in 1984, according to the U.S. agricultural counselor in Madrid. Low egg prices in late 1983 and early 1984 caused the decline. Exports of shell eggs were down sharply in 1984, tending to augment the price decline. Stronger prices for eggs, plus lower feed prices in late 1984, are expected to improve profits. As a result, 1985 production is expected to increase 3-4 percent.

COFFEE, TEA AND COCOA

BRAZIL's 1985/86 coffee crop is forecast at 33 million bags (60 kilograms each), 22 percent above the previous harvest, according to the U.S. agricultural officer in Rio de Janeiro. Field observations by the Rio office were made in mid-January. In the states of Parana, Sao Paulo and southeast Minas Gerais, the large load of cherries was described as quite impressive and compared in many instances to the huge cherry load of 1965. Well-distributed rainfall and favorable temperatures since last September greatly enhanced the development of cherry settings following the first major bloom.

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SUGAR AND SWEETENERS

The SOVIET UNION's sugar production estimate for 1984/85 has been revised to 9 million tons (raw value), 3 percent more than last year and the highest output since 1978/79, according to the U.S. agricultural attache in Moscow. Higher procurement prices and more abundant supplies of pesticides, fertilizer and farm equipment contributed to the increase. Sugarbeet area continued the decline started in the mid-1970s, but the 1984 sugarbeet yield exceeded the average of the past 10 years. The unfavorable weather in the earlier part of the season resulted in less thinning of beets and, although beets were smaller than normal, they were more numerous. However, weather improved during the primary period of sugar fixation, resulting in an increase in the sugar content of beets.

WOOD AND WOOD PRODUCTS

Timber frame housing in the UNITED KINGDOM continued to fall as a percentage of total housing starts during the fourth quarter of 1984, according to the U.S. agricultural counselor in London. The decline in timber frame construction could affect U.S. wood product exports to the United Kingdom. U.S. exports of softwood products are down nearly 30 percent compared to 1983 levels.

The drop in timber frame construction highlights the long-term impact that the brick and block industry's campaign has had on construction activity in the United Kingdom. The trend away from timber frame has motivated the wood products industry in the United Kingdom to conduct a dedicated advertising and public relations campaign of its own. The effort should improve the outlook for U.S. exports of solid wood products to the United Kingdom, which continues to suffer from the effects of the strong dollar.

Selected International Prices

| Item | : | Feb. 12, 1985 | : | Change from | : | A year |
|------------------------------------|---|---------------|---|---------------|---|-----------|
| | : | | : | previous week | : | ago |
| ROTTERDAM PRICES 1/ | | \$ per MT | | \$ per MT | | \$ per MT |
| Wheat: | | | | | | |
| Canadian No. 1 CWRS-13.5%.9/ | | 190.75 | | 5.19 | | + .25 |
| U.S. No. 2 DNS/NS: 14%.... | | 183.00 | | 4.98 | | -1.00 |
| U.S. No. 2 S.R.W. | | 165.50 | | 4.50 | | -1.50 |
| U.S. No. 3 H.A.D.....9/ | | 183.00 | | 4.98 | | -2.00 |
| Canadian No. 1 A: Durum.9/ | | 194.00 | | 5.28 | | 0 |
| Feed grains: | | | | | | |
| U.S. No. 3 Yellow Corn.... | | 133.50 | | 3.39 | | -1.00 |
| Soybeans and meal: | | | | | | |
| U.S. No. 2 Yellow..... | | 242.50 | | 6.60 | | -1.00 |
| Brazil 47/48% SoyaPellets 4/ | | 164.00 | | -- | | -8.00 |
| U.S. 44% Soybean Meal.... | | 157.50 | | -- | | N.Q. |
| U.S. FARM PRICES 3/ | | | | | | |
| Wheat..... | | 124.55 | | 3.39 | | + .37 |
| Barley..... | | 84.46 | | 1.84 | | +1.84 |
| Corn..... | | 102.76 | | 2.61 | | -.39 |
| Sorghum..... | | 93.70 | | 4.25 2/ | | 0 |
| Broilers 4/..... | | 1178.36 | | -- | | -58.20 |
| EC IMPORT LEVIES | | | | | | |
| Wheat 5/..... | | 50.30 | | 1.37 | | +8.05 |
| Barley..... | | 52.25 | | 1.14 | | -3.80 |
| Corn..... | | 45.50 | | 1.16 | | +1.30 |
| Sorghum..... | | 48.00 | | 1.22 | | -5.65 |
| Broilers 4/ 6/ 8/..... | | N.Q. | | -- | | N.Q. |
| EC INTERVENTION PRICES 7/ | | | | | | |
| Common wheat(feed quality) | | 137.25 | | 3.74 | | -.55 |
| Bread wheat (min. quality)7/ | | 146.00 | | 3.97 | | -.70 |
| Barley and all | | | | | | |
| other feed grains..... | | 137.25 | | -- | | -.55 |
| Broilers 4/ 6/..... | | N.Q. | | -- | | N.Q. |
| EC EXPORT RESTITUTIONS (subsidies) | | | | | | |
| Wheat | | 14.50 | | .39 | | -.20 |
| Barley..... | | 28.25 | | .62 | | -.50 |
| Broilers 4/ 6/ 8/..... | | N.Q. | | -- | | N.Q. |

1/ Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam. 2/ Hundredweight (CWT). 3/ Twelve-city average, wholesale weighted average. 4/ EC category--70 percent whole chicken. 5/ Reflects lower EC export subsidy--down to 20.00 ECU/100 bag effective 9/14/83 from 22.50 ECU/100 bag set in 2/83. 6/ F.o.b. price for R.T.C. broilers at West German border. 7/ Reference price. 8/ Reflects change in level set by EC. 9/ April-May. 10/ March shipment. N.A.=None authorized. N.Q.=Not quoted. Note: Basis March delivery.

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